

Tobin & Co.

Benzie Shores District Library

Benzie County, Michigan

Audit Report

For the Year Ended June 30, 2008

Auditing Procedures Report

Instructions and MuniCodes

*=Required Fields

Reset Form

Issued under Public Act 2 of 1968, as amended. (V1.07)

Unit Name* Benzie Shores District Library	County* Benzie	Type* Dist. Library	MuniCode*
Opinion Date-Use Calendar* 10/29/08	Audit Submitted-Use Calendar* 11/20/08	Fiscal Year End Month* June	Fiscal Year* 2008

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No."

<input checked="" type="checkbox"/> ?	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/> ?	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/> ?	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/> ?	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/> ?	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/> ?	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/> ?	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/> ?	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/> ?	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/> ?	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/> ?	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/> ?	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/> ?	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? NA
<input checked="" type="checkbox"/> ?	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/> ?	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/> ?	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input type="checkbox"/> ?	18. Are there reported deficiencies?
<input type="checkbox"/> ?	19. If so, was it attached to the audit report?

General Fund Revenue:	? 243,751
General Fund Expenditure:	? 241,314
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	? 123,325
Governmental Activities Long-Term Debt (see instructions):	? - 0 -

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (reported deviations).

CPA (First Name)* DAVID	Last Name* BASLER	Ten Digit License Number* 1101013418	
CPA Street Address* 400 E. Eighth St.	City* Traverse City	State* MI	Zip Code* 49686
CPA Firm Name* Tobin & Co., PC	Unit's Street Address*	Unit's City*	Unit's Zip*
		Telephone* 231 947-0151	

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INTRODUCTORY SECTION

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Comments and Recommendations

We have examined the basic financial statements and the individual fund financial statements of Benzie Shores District Library, Benzie County, for the year ended June 30, 2008 and have issued our report thereon. As part of our examination, we made a study and evaluation of the Library's system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted auditing standards. The purpose of our study and evaluation was to determine the nature, timing and extent of the auditing procedures necessary for expressing an opinion on the Library's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole.

Our study and evaluation made for the limited purpose described above would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal control of Benzie Shores District Library taken as a whole. As a result of our examination, we respectfully submit the following comments and recommendations.

Organization and Function

The Benzie Shores District Library is organized in accordance with State statutes. It serves residents of Crystal Lake, Blaine, and Gilmore Townships and the City of Frankfort and the Village of Elberta. It is recognized as a public library by the State Library Board to which it submits annual reports. The Public Library is governed by a board appointed by the units which it serves. The Board meets monthly.

The Library has numerous volumes available for loan to users. Users must be registered with the Library. Fines are assessed for overdue books, and follow-up procedures have been adopted and are enforced.

Revenues consist of penal fines assessed by County courts, State aid, appropriations from participating local units, fines and fees, earned interest, donations, and other miscellaneous income.

Accounting Records and Procedures

In general, accounting records were maintained in very good order. Recorded revenues were deposited timely and intact. Bank accounts were reconciled on a monthly basis. Our testing disclosed that disbursements were supported by itemized invoices.

The Treasurer maintains a receipts and disbursements journal which also reflects the balance in the bank at all times. Income and expenses are posted monthly from the journal to individual ledger accounts from which periodic and annual financial statements are prepared. The recommended chart of accounts is being used.

Board Minutes

Board minutes were maintained in good order and kept in a separate binder.

Budgets and Procedures

A budget for the General Operating Fund was prepared and amended as required by law.

Insurance and Surety Bond Coverage

Records indicate that the Library has such insurance coverage as fire and extended coverage for buildings, collections, and equipment, general liability and workmen's compensation. We were informed that coverage was reviewed during the audit year. Five library employees are bonded for \$10,000 each and there is a blanket bond of \$10,000.

After completion of our audit, we will submit the necessary copies of our report to the State Department of Treasury.

We appreciate the courtesy extended our field examiner in the conduct of this audit.

Your confidence is respected. Please contact us if questions arise or assistance is needed.

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FINANCIAL SECTION

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REPORT OF INDEPENDENT AUDITOR

To the Library Board
Benzie Shores District Library
Benzie County
Frankfort, Michigan 49635

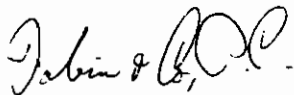
We have audited the basic financial statements of Benzie Shores District Library, Benzie County, as of and for the year ended June 30, 2008, as listed in the table of contents. These basic financial statements are the responsibility of the Library's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly in all material respects, the financial position of such funds of Benzie Shores District Library, Benzie County at June 30, 2008, and the results of operations in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison schedule, as identified in the table of contents, is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. The supplemental information has been subjected to the auditing procedures applied to the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.



TOBIN & CO., P.C.
Certified Public Accountants
October 29, 2008

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BENZIE SHORES DISTRICT LIBRARY MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis report of the Benzie Shores District Library (the Library) covers the Library's financial performance during a two-year period ended June 30, 2008.

FINANCIAL HIGHLIGHTS

- 1) In general, income and expenses remain relatively consistent year after year. This year there are a few factors that have an impact on the Library's current and future budgets.
- 2) On November 6, 2007, the voters of Gilmore Township, which includes the Village of Elberta, approved a ballot proposal to pay up to .75 mills for library service with Benzie Shores District Library. Taxes will be levied December 2009, 2010, 2011 and 2012. The new contract includes the agreement to pay 100% of penal fines to the Library. The expiration date of the contract is December 31, 2013. However, when the Township begins to levy taxes in December 2009, the millage will replace the escrowed penal fines that were used to fund the original Elberta/Gilmore library services contract. The income from the new contract will be significantly higher than the one that expires in September 2009.
- 3) For the year ended June 30, 2008, compared to the year ended June 30, 2007, escrowed expenses for the contract with both the Village of Elberta and Gilmore Township decreased \$7,740. Total assets, which consisted entirely of cash, increased \$4,679 and equity rose by \$11,685. Even with a decline in income of \$4,954 from penal fines, total income rose by \$40,295 primarily due to an acceleration in the way annual receipts from Crystal Lake Township were taken into income. Receipts are now recognized on a cash basis instead of an accrual basis. That change in accounting procedures contributed to the increase in net income of \$58,694.
- 4) The Library Board was able to reduce the district wide millage to .75 when Crystal Lake joined the library district.
- 5) This year the Library Board worked on QSAC Enhanced standards, did a library services survey, revised the mission statement, and held Strategic Planning meetings in April 2007 and April 2008 which helped with budget decision by setting priorities.
- 6) At the September 2008 Library Board meeting the Library Board adopted a financial policy and an Endowment Fund policy.
- 7) We participate in MEL delivery. We pay Michigan Library Consortium and are reimbursed by the Mid Michigan Library League.
- 8) We now have two more employees, who, essentially, share a part-time position.
- 9) The Library Board moved its account, except for existing Certificates of Deposit from West Michigan National Bank to State Savings Bank because West Michigan National Bank did not offer on-line access. The Board felt that it is important for the Treasurer to have on-line access to account information.
- 10) We received a Gates Grant for one new computer. All was done through Mid Michigan Library League.
- 11) The Friends purchased two new computers for the Library.
- 12) The bookkeeping service changed. Jean Luedtke sold her business to Karen Dennis. It is called Day Bookkeeping. Karen worked for Jean prior to purchasing the business.
- 13) One unexpected expense, but within the budget, was the resurfacing of the driveway. The cost was \$8,650. That expense represented nearly one-half of the \$18,399 increase in total expenses for the 2007-2008 fiscal year.
- 14) The original (1960) windows on the north side of the Library were replaced (cost within 2007-2008 budget).
- 15) We expanded Saturday hours from 10:00 AM – 2:00 PM to 10:00 AM – 5:00 PM.
- 16) The big news is that the Library is going into a renovation project. The Library Board and the Friends have set the spending limit of the project at \$250,000. For a more extensive project, there will have to be a fund raising effort. The project (Phase 1) will be complete in the 2008-2009 fiscal year.

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The major Library revenue sources were as follows:

	<u>2006-2007</u>	<u>2007-2008</u>
District millage	\$ 77,588	\$ 173,106
Contract millage	\$ 133,107	\$ 0
Penal fines*	\$ 43,922	\$ 42,101

Other Library revenue sources include state aid, copy machine fees, late fines and card fees. The Friends of the Library give materials, services, and furnishings, not direct revenue support which are accounted for as contribution revenue and offsetting expenditures. *(Penal fines include escrowed Elberta/Gilmore and the library district)

FY 2006-2007 Budget:

Final Approved Budget:

Income:	\$	207,961
Expenses:	\$	207,961

FY 2007-2008 Budget:

Final Approved Budget (excluding friends of the Library offsetting revenues and expenditures):

Income:	\$	231,100
Expenses	\$	231,100

We budgeted \$12,000 from Foundation spendable and used \$0.

Except as mentioned above, based on currently known facts, decisions or conditions, there is no reason to believe that the Library may experience a change in its financial position.

OVERVIEW OF FINANCIAL STATEMENTS

Each month the Library Board Treasurer presents the Benzie Shores District Library Board with the following financial statements:

- Income and Expense Report
- Balance Sheet
- Deposit Detail
- Checkbook Register
- Disbursements Authorization Report

GOVERNMENT-WIDE STATEMENTS

The Benzie Shores District Library is a non-profit public library. The financial activities of the Library are reported as governmental activities. The Library has no business-type activities.

FUND FINANCIAL STATEMENTS

All of the Library's activities are included in the general fund.

The Friends of the Library, a separate entity, has a separate Endowment Fund at the Grand Traverse Regional Community Foundation. After purchase by the Friends, all equipment, materials and furnishings are Library property.

The Library has an Endowment Fund at the Grand Traverse Regional Community Foundation. The spendable portion of the Endowment Fund went from \$167,336 on June 30, 2006 to \$206,310 on June 30, 2008. The Endowment Fund's total balance, as of June 30, 2008 is \$521,430.

FINANCIAL ANALYSIS OF THE LIBRARY AS A WHOLE

The Benzie Shores District Library is in excellent financial shape.

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FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

The activities of the operations fund have remained constant, consisting of salaries and benefits, purchase of materials (books, books-on-tape and CD, and magazines), utilities, building and ground maintenance. The revenues collected to fund the activities remained consistent.

CAPITAL ASSET

Net capital assets increased by \$9,248 for the audit year.

CURRENTLY KNOWN FACTORS AFFECTING FUTURE OPERATIONS

The stability of having penal fines from Elberta/Gilmore and millage in perpetuity from the library district (Blaine, Crystal Lake, Frankfort), and the Endowment Fund is positive for the budget.

Although the renovation project is estimated to be around \$250,000, the Library Board has done a careful analysis of funding. The goal of the Library Board is to have the renovation completed without taking more than \$100,000 out of the spendable of the Holtry Endowment Fund. That way, the Endowment and spendable will continue to generate enough income for the Library Board to use, if necessary, as a contingency fund. The Friends of the Library will contribute \$100,000 to the renovation. Because of the Library's strong cash position, up to \$50,000 for this project is currently available in cash on the balance sheet.

CONTACTING ENTITY MANAGEMENT

This financial report is designed to provide taxpayers, creditors, investors and customers, with a general overview of the entity's finances and to demonstrate the entity's accountability for the revenues it receives. If you have questions concerning this report please contact either Cathy Carter, Library Director or Jon Armstrong, Library Board President, Benzie Shores District Library, P. O. Box 631, 630 Main St., Frankfort, MI 49635. 231-352-4671 (phone) bsdl@benzieshoreslibrary.org (email).

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Benzie Shores District Library Statement of Net Assets and Governmental Fund Balance Sheet June 30, 2008

	<u>General Fund</u>	<u>Adjustments (Note 3)</u>	<u>Statement of Net Assets</u>
<u>Assets</u>			
Petty Cash	\$ 100	\$ -	\$ 100
Cash in Bank – Checking	15,481	-	15,481
Cash on Hand	205	-	205
Cash in Bank – Certificates of Deposit	130,000	-	130,000
Capital Assets, net of Accumulated Depreciation	<u>-</u>	<u>112,065</u>	<u>112,065</u>
Total Assets	<u>145,786</u>	<u>112,065</u>	<u>257,851</u>
<u>Liabilities</u>			
Accounts Payable	9,393	-	9,393
Payroll Liabilities	3,405	-	3,405
Deferred Revenue	<u>9,663</u>	<u>-</u>	<u>9,663</u>
Total Liabilities	<u>22,461</u>	<u>-</u>	<u>22,461</u>
<u>Fund Balances/Net Assets</u>			
Fund Balance			
Restricted	-	-	-
Unrestricted	<u>123,325</u>	<u>(123,325)</u>	<u>-</u>
Total Fund Balances	<u>123,325</u>	<u>(123,325)</u>	<u>-</u>
Total Liabilities and Fund Balances	<u>\$ 145,786</u>		
<u>Net Assets</u>			
Invested in Capital Assets		112,065	112,065
Unrestricted		<u>123,325</u>	<u>123,325</u>
Total Net Assets		<u>\$ 235,390</u>	<u>\$ 235,390</u>

See Accompanying Notes to Basic Financial Statements

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Benzie Shores District Library Statement of Activities and Governmental Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Adjustments (Note 4)</u>	<u>Statement of Activities</u>
<u>Expenditures/Expenses:</u>			
Library Materials	\$ 29,153	\$ (2,640)	\$ 26,513
Salaries, Wages and Fringe Benefits	134,931	-	134,931
Facilities and Equipment	59,820	(6,608)	53,212
Administrative Services	<u>17,410</u>	<u>-</u>	<u>17,410</u>
Total Expenditures/Expenses	<u>241,314</u>	<u>(9,248)</u>	<u>232,066</u>
<u>Program Revenues:</u>			
Charges for Services	3,345	-	3,345
Operating Grants and Contributions	<u>237,365</u>	<u>-</u>	<u>237,365</u>
Total Program Revenues			<u>240,710</u>
Net Program Revenues			8,644
<u>General Revenues:</u>			
Interest	<u>3,041</u>	<u>-</u>	<u>3,041</u>
Excess Revenues (Expenditures)	2,437	(2,437)	-
Change in Net Assets		11,685	11,685
<u>Fund Balance/Net Assets:</u>			
Beginning of the Year	<u>120,888</u>	<u>102,817</u>	<u>223,705</u>
End of the Year	<u>\$ 123,325</u>	<u>\$ 112,065</u>	<u>\$ 235,390</u>

See Accompanying Notes to Basic Financial Statements

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Benzie Shores District Library
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Benzie Shores District Library is located in Benzie County and serves three Townships, the City of Frankfort, and the Village of Elberta.

The Library's basic financial statements include the accounts of all Library operations. The criteria for including organizations within the Library's reporting entity, as set forth in GASB No. 14, "*The Financial Reporting Entity*", includes oversight responsibility, fiscal dependency and whether the financial statements would be misleading if data were not included.

Based on the above criteria, there are no other organizations included in these financial statements.

B. Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Library. Governmental activities are supported by taxes and intergovernmental revenues and are reported separately from business-type activities, which rely, to a significant extent, on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given program and 2) operating or capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Other items not properly included among program revenues are reported instead as general revenues.

The financial activities of the Library are also reported in a separate self-balancing governmental fund described as follows:

General Fund – This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the Library. Revenues are derived primarily from penal fines, state aid, and local unit appropriations.

C. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The government-wide statements are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resources measurement focus means all assets and liabilities (whether current or non-current) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e., when they become both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. A one-year availability period is used for recognition of all Library Governmental Fund revenues. Expenditures are recorded when the related fund liability is incurred.

The revenue susceptible to accrual is property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. All other governmental fund revenues are recognized when received.

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Benzie Shores District Library
Notes to Financial Statements
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Budgets

The General Fund is under formal budgetary control. Budgets shown in the required supplementary schedule for this fund were prepared on a basis not significantly different from the modified accrual basis used to reflect actual results and consist only of those amounts contained in the formal budget approved and amended by the Library.

For budgetary purposes appropriations lapse at fiscal year end.

E. Capital Assets

Capital assets, which includes property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical is not available. Donated assets are valued at their fair market value on the date donated. Repairs and maintenance are recorded as expenses. Renewals and betterments are capitalized. Interest is capitalized during the construction period on property, plant and equipment.

Assets capitalized have an original cost of \$1,000 or more except for collection items and over one year of useful life. Depreciation has been calculated on each class of depreciable property using the straight-line method. Estimated useful lives of each asset are determined by the Library Director.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

- A. We noted no violations of legal provisions and/or contractual provisions of various agreements related to financial matters.
- B. All funds had positive fund balances at June 30, 2008.
- C. Public Act 621 of 1978, Section 18, provides that a local unit shall not incur expenditures in excess of the amount appropriated. For the year ended June 30, 2008, no Library cost center exceeded its appropriation without formal budget amendment.

NOTE 3 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

Net capital assets of \$112,065 used in governmental activities are not financial resources and therefore are not reported in the fund.

NOTE 4 - EXPLANATION OF CERTAIN ADJUSTMENTS BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE STATEMENT OF ACTIVITIES

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over the estimated useful lives and reported as depreciation expense. Capital outlay exceeded depreciation of Library assets by \$9,248 for the audit year.

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Benzie Shores District Library
Notes to Financial Statements
June 30, 2008

NOTE 5 - DEPOSITS WITH FINANCIAL INSTITUTIONS

A. Legal Provisions for Deposits and Investments

Act 20, Public Acts of 1943, as amended by Act 217, Public Acts of 1982, and Act 196, Public Acts of 1997, states that the Library, by resolution, may authorize the Treasurer to invest surplus funds as follows:

- (1) In bonds and other direct obligations of the United States or an agency or instrumentality of the United States.
- (2) In certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation or a credit union which is insured by the National Credit Union Administration, but only if the bank, savings and loan association, or credit union complies with subsection (2).
- (3) In commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and which matures not more than 270 days after date of purchase.
- (4) Repurchase agreements consisting of instruments defined in (1) above.
- (5) In bankers' acceptances of United States Banks.
- (6) Obligations of the State of Michigan or any of its political subdivisions that at the time of purchase are rated as investment grade by not less than one standard rating service.
- (7) In mutual funds registered under the investment company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by local units of government in Michigan.

B. Types of Deposits

The Library had \$146,643 deposited with a local financial institution at June 30, 2008 with a carrying value of \$145,481. Interpreting the FDIC insurance coverage of \$100,000 of demand deposits and \$100,000 of time deposits per financial institution, the Library had no uninsured deposits at June 30, 2008.

NOTE 6 - CAPITAL ASSETS

Capital assets of governmental activities consisted of the following:

	Balance 6/30/07	Additions	Deletions	Balance 6/30/08
Building Improvements	\$ 21,156	\$ 9,393	\$ -	\$ 30,549
Collection	147,943	22,147	18,382	151,708
Equipment	28,334	3,253	-	31,587
Furnishings	49,600	-	-	49,600
Total	247,033	34,793	18,382	263,444
Accumulated Depreciation	(144,216)	(25,545)	(18,382)	(188,143)
	<u>\$ 102,817</u>	<u>\$ 9,248</u>	<u>\$ -</u>	<u>\$ 112,065</u>

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Benzie Shores District Library Notes to Financial Statements June 30, 2008

NOTE 7 - INVENTORIES

Benzie Shores District Library does not maintain a substantial inventory of supplies or materials. Purchases are normally made as needed, and the items are recorded as expenses when purchased.

NOTE 8 - PENSION PLAN

The Library is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2.25 percent times the final average compensation (FAC) with a maximum benefit as provided for in the Internal Revenue Code. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2007.

MERS was organized pursuant to Section 12a of Act#156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 447 North Canal Street, Lansing, Michigan 48917-9755.

Funding Policy

The obligation to contribute to and maintain the system for Library employees was established by personnel policy, which requires employees to contribute 2.2% of gross wages to the plan. The Local Unit is required to contribute 7.8% of gross wages or an actuarially determined rate, whichever is greater; the current rate was 7.8% at June 30, 2008.

Annual Pension Cost

During the fiscal year ended June 30, 2008, the Local Unit's contributions totaling \$4,884 were made in accordance with contribution requirement determined by personnel policies as of June 30, 2008. The actuarially determined employer contribution rate has been based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 32 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increase of 4.5 percent.

Three Year Trend Information

Year Ended <u>June 30,</u>	Annual Pension <u>Cost (APC)</u>	Percentage of APC <u>Contributed</u>	Net Pension <u>Obligation</u>
2008	\$ 4,884	100%	\$ 0
2007	4,648	100	0
2006	4,473	100	0

Required Supplementary Information

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued Liability <u>(AAL)</u>	Underfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percent of Covered <u>Payroll</u>
12/31/07	\$ 129,257	\$ 145,495	\$ 15,938	89%	\$ 61,376	26%
12/31/06	113,825	128,738	14,913	88%	59,548	25%
12/31/05	99,589	116,216	16,627	86%	56,507	29%

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Benzie Shores District Library Notes to Financial Statements June 30, 2008

NOTE 9 - CONTINGENT LIABILITIES

There are no known contingent liabilities of the Library.

NOTE 10- LEASES

The Library rents their facilities from the City of Frankfort under a lease which expires January 9, 2010. The Library is responsible for upkeep, repairs and maintenance, utilities and insurance on the leased property.

The Library rents a copy machine under a lease which expires January 31, 2013. Monthly lease payments are \$36 plus costs per images and total rent expense for the year ended June 30, 2008 was \$217. Guaranteed lease payments under the above lease are as follows:

<u>Year Ended June 30,</u>		
2009	\$	435
2010		435
2011		435
2012		435
2013		<u>217</u>
	\$	<u>1,957</u>

NOTE 11- ENDOWMENT FUND

The Library is the beneficiary under an endowment fund agreement with the Grand Traverse Regional Community Foundation.

The fund is an agency fund, established with contributions of \$315,120. The assets of the fund are shown on the Foundation's financial statements and not on those of the Library. The accumulated donations remain the property of the Foundation while accumulated earnings will be distributed as agreed upon. Spendable reserves at June 30, 2008 are \$206,310.

The Library does not exercise control over the principal of the funds. Variance power has been granted to the Grand Traverse Regional Community Foundation for assets in the endowment funds. If the Library ceases to exist or no longer performs its function under the provisions of the agreement, the Foundation shall continue to administer and disburse fund assets in a manner deemed appropriate according to the agreements.

NOTE 12- COMPENSATED ABSENCES

The Library Director earns non-cumulative vacation and sick leave based upon years of service. Sick leave and vacation leave are not transferable to pay at any time.

NOTE 13- RISK MANAGEMENT

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the audit year the Library addressed these risks through the purchase of commercial insurance through Municipal Underwriters of Michigan as agent and the Michigan Township Participating Plan and Accident Fund of Michigan. There was no significant reduction of insurance coverage from prior years nor have the amounts of any settlements exceeded insurance coverage in any of the past three fiscal years.

SUPPLEMENTAL DATA SECTION

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Benzie Shores District Library Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual General Fund For the Year Ended June 30, 2008

Schedule 1
Page 1

Revenues	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
Contributions from Local Units:				
Penal Fines – Benzie County	\$ 30,000	\$ 30,000	\$ 26,704	\$ (3,296)
District Property Taxes	170,064	170,064	173,106	3,042
Elberta/Gilmore	14,236	14,236	15,398	1,162
State Grants:				
State Aid	-	-	2,745	2,745
Charges for Services:				
Copier Fees	400	400	390	(10)
Late Fines and Lost Books	1,200	1,200	1,555	355
Card Sales	1,400	1,400	1,400	-
Interest and Rent:				
Interest	1,800	1,800	3,041	1,241
Other:				
Private Grant	12,000	12,000	203	(11,797)
Donations – Friends	-	19,209	19,209	-
Total Revenues	231,100	250,309	243,751	(6,558)
Expenditures				
Library Materials:				
Collection	-	-	20,263	-
Collection – Friends	-	-	839	-
Periodicals	-	-	3,124	-
Periodicals – Friends	-	-	1,070	-
Audio/Visual	-	-	1,139	-
Audio/Visual – Friends	-	-	2,718	-
Total	28,600	31,132	29,153	1,979
Salaries, Wages and Fringe Benefits:				
Salaries and Wages – Librarian	-	-	61,376	-
Salaries and Wages – Other	-	-	43,625	-
Social Security/Medicare	-	-	8,033	-
Health Insurance	-	-	16,094	-
Life Insurance	-	-	405	-
Pension	-	-	4,884	-
Workmen's Compensation	-	-	350	-
Transportation and Travel	-	-	111	-
Professional Development	-	-	53	-
Total	145,170	140,700	134,931	5,769

The Notes to the Basic Financial Statements are an integral part of this statement.

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Benzie Shores District Library
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
General Fund
For the Year Ended June 30, 2008

Schedule 1
Page 2

	Budgetary Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final		
<u>Expenditures (Continued)</u>				
Facilities and Equipment:				
Utilities	-	-	8,827	-
Telephone	-	-	3,153	-
Maintenance and Repairs	-	-	25,891	-
Maintenance and Repairs – Friends	-	-	638	-
Capital Outlay	-	-	9,782	-
Capital Outlay – Friends	-	-	7,383	-
Insurance	-	-	4,146	-
Total	36,230	51,381	59,820	(8,439)
Administrative Services:				
Printing and Publishing	-	-	451	-
Office Supplies	-	-	3,218	-
Postage	-	-	1,799	-
Professional Services	-	-	5,217	-
Professional Services – Friends	-	-	6,561	-
Other	-	-	164	-
Total	18,100	24,661	17,410	7,251
Contingencies	3,000	2,435	-	2,435
Total Expenditures	231,100	250,309	241,314	8,995
Excess Revenues (Expenditures)	\$ -	\$ -	2,437	\$ 2,437
Fund Balance – Beginning of Year			120,888	
Fund Balance – End of Year			\$ 123,325	

The Notes to the Basic Financial Statements are an integral part of this statement.

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To the Library Board
Benzie Shores District Library

We have audited the financial statements of Benzie Shores District Library for the year ended June 30, 2008 and have issued our report thereon dated October 29, 2008. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 5, 2008, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with U.S. generally accepted accounting principles. Because an audit is designed to provide reasonable but not absolute assurance, and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist but not be detected by us.

As part of our audit, we considered the internal control of Benzie Shores District Library. Such consideration was solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Internal Control

In planning and performing our audit, we considered the internal control over financial reporting of the Library as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing opinion on the effectiveness of the internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the ability to

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initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the financial statements that is more than inconsequential will not be prevented or detected by the internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider each of the following significant deficiencies to be a material weakness.

Segregation of Duties

A properly designed system of internal control segregates the accounting responsibilities from employees who have access to physical assets such as cash, investments and payroll, from authorization and approval of transactions and account reconciliations. The small size of the administrative staff precludes a complete segregation of duties resulting in more than a remote risk that material misstatements could occur and not be detected in the normal course.

Reporting Financial Data

The above definition of a significant deficiency includes any condition that adversely affects the ability to report financial data in accordance with generally accepted accounting principles ("GAAP"). As a matter of convenience, the Library has always relied upon its auditors to prepare financial statements and related notes and supplemental schedules for external reporting in accordance with GAAP. As a consequence, the Library has not developed the tools and resources necessary to enable its employees to prepare reports in conformity with GAAP in the normal course of performing their assigned functions. The Library has committed the resources necessary to meet its internal reporting needs. In this regard, it is not unlike many other Libraries of its size.

Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by Benzie Shores District Library are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2007-2008. We noted no transactions entered into by the Library during the year that were both significant and

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unusual and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. However, none of management's estimates are considered to be particularly sensitive.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Library's financial reporting process (that is, cause future financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Library, either individually or in the aggregate, indicates matters that could have a significant effect on the Library's financial reporting process.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the

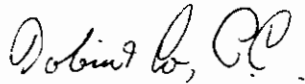
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Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

No Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Library Board and management of Benzie Shores District Library and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Tobin & Co., P.C.", written in dark ink.

Tobin & Co., P.C.

October 29, 2008